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**GULCH MINES
LIMITED**

Fourteenth Annual Report

For the Year Ended December 31, 1967



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GULCH MINES LIMITED

OFFICERS	J. A. GRANT - - - - - <i>President</i> FOSTER W. HEWITT - - - - - <i>Vice-President</i> H. L. GOOD - - - - - <i>Secretary-Treasurer</i>
DIRECTORS	H. L. GOOD - - - - - Toronto, Ontario *G. M. GRANT - - - - - Toronto, Ontario J. A. GRANT - - - - - Toronto, Ontario GEORGE F. HAYHURST - - - - - Toronto, Ontario FOSTER W. HEWITT - - - - - Toronto, Ontario S. H. ROBINSON - - - - - Toronto, Ontario S. D. TAYLOR - - - - - Regina, Saskatchewan *Deceased
HEAD OFFICE	Suite 710 — 60 Yonge Street, Toronto, Ontario
MINE PROPERTIES	Black Bay, Lake Athabaska, Saskatchewan Geraldton, Ontario
REGISTRAR AND TRANSFER AGENT	Sterling Trusts Corporation 372 Bay Street, Toronto 1, Ontario
AUDITORS	GRIER, DYER & Co., Toronto, Ontario
COUNSEL	HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, PEPALL & HARVEY, Toronto, Ontario
ANNUAL MEETING	The Annual Meeting of the Company will be held in The Newfoundland Room, Royal York Hotel, 100 Front Street West, Toronto 1, Ontario, Wednesday, May 29th, 1968, at 11:00 o'clock in the forenoon, Toronto time.

GULCH MINES LIMITED

Directors' Report

TO THE SHAREHOLDERS:

The Directors submit herewith the Fourteenth Annual Report of your company including Financial Statements, Auditors' Report for 1967 and the Consulting Geologist's Report.

The surface exploration and drilling programme carried out jointly by Gulch and Gunnex Limited on your company property at Black Bay, Lake Athabaska, was completed in mid-February, 1968. A study of the drilling completed is to be correlated with all the exploration results from the earlier exploration and development carried out by Gulch. The details of the joint programme are given in the attached report of Mr. H. S. Wilson.

Gulch and Gunnex Limited have entered into an option agreement with Paris Investments Limited, of Edmonton, Alberta, under which Gulch and Gunnex have the option to acquire jointly a 50 percent interest in a claim block of 8,000 acres, contiguous to the Gulch property at Black Bay to the East. The option runs until December 1st, 1968, prior to which date Gulch and Gunnex are required to perform one year's assessment work which will comprise mapping, scintillometer survey, trenching and diamond drilling if warranted. The option may be extended until December 1st, 1969, upon the optionees agreeing to perform an additional year's assessment work.

The patented gold claims at Geraldton, Ontario, have been kept in good standing. No work was carried out during the past year.

The Board regretfully announces the passing of Brigadier G. M. Grant, C.B.E., a director for the past several years. His counsel will be missed.

Your Directors express their appreciation to Gunnex Limited for their excellent management of the uranium project and to Mr. H. S. Wilson for the work performed by him as Consulting Geologist during the past year.

On behalf of the Board,

JAMES A. GRANT,
President.

Toronto, Ontario,
April 1st, 1968.

GULCH MINES

(Incorporated under the laws of the Province of Ontario)

Balance Sheet as at December 31, 1967 (1966 figures shown in parentheses)

ASSETS		1967	1966
CURRENT:			
Cash		\$ 14,573	\$ 4,707
Investments in marketable securities — at book value (quoted market value 1967 — \$1,500)		5,008	27,998
Short term note		10,000	
Receivable under the Saskatchewan Government assistance programme — see note		19,773	
		<u>49,354</u>	<u>32,705</u>
MINING CLAIMS — at cost:			
Saskatchewan — Beaverlodge area		104,500	104,500
Ontario — Geraldton area		16,074	16,074
		<u>120,574</u>	<u>120,574</u>
Mine Plant and Equipment — at nominal value		1	1
Organization Expense		5,022	5,022
Deferred Exploration, Development and Other Expenditures (Net) — Exhibit B		1,707,037	1,712,742
		<u>\$1,881,988</u>	<u>\$1,871,044</u>

Approved on behalf of the Board:

J. A. GRANT, Director.

FOSTER HEWITT, Director.

AUDITORS

The Shareholders,
Gulch Mines Limited:

We have examined the balance sheet of Gulch Mines Limited as at 31st December, 1967 and the statements of deferred exploration, development and other expenditures and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario,
16th April, 1968.

ES LIMITED

(Incorporated in the Province of Ontario)

EXHIBIT A

31st December, 1967
(for comparison)

LIABILITIES

	1967	1966
CURRENT:		
Accounts payable and accrued	\$ 11,909	\$ 965
CAPITAL:		
Authorized —		
5,000,000 shares of \$1 par value each ...	<u>\$5,000,000</u>	
Issued —		
4,150,375 shares	4,150,375	4,150,375
Less — discount	<u>2,280,296</u>	<u>2,280,296</u>
	<u>1,870,079</u>	<u>1,870,079</u>

NOTE: Under an assistance programme of the Saskatchewan Government, the company claimed \$25,000, being its share applicable to expenditures in the Black Bay joint venture project with Gunnex Limited. Repayment of this amount to the Saskatchewan Government is contingent upon future profitable operations.

<u>\$1,881,988</u>	<u>\$1,871,044</u>
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REPORT

In our opinion these financial statements present fairly the financial position of the company as at 31st December, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

GRIER, DYER & CO.,
Chartered Accountants.

GULCH MINES LIMITED

DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES FOR THE YEAR ENDED 31st DECEMBER, 1967 (1966 figures shown for comparison)

	1967	1966
EXPLORATION AND DEVELOPMENT:		
Property at Black Bay, Lake Athabaska, Saskatchewan joint venture with Gunnex Limited, company's share of expenses (Net)	\$ 25,230	
Other expenses, not on joint venture basis	2,438	\$ 2,520
Maylac property — taxes	82	82
Expenses on La Ronge property abandoned		45
Travelling	283	425
	<u>28,033</u>	<u>3,072</u>
 ADMINISTRATIVE AND GENERAL:		
Canada Pension Plan	76	76
Expenses of reports and annual meeting	1,397	585
Executive salary	4,800	4,800
Filing fees and taxes	45	42
Interest and exchange	1,052	60
Legal, audit and accounting fees	1,750	760
Listing fee	100	100
Office space and facilities	600	600
Office supplies and expenses	440	254
Transfer agent and registrar	1,005	1,003
	<u>11,265</u>	<u>8,280</u>
Total Expenditure for the year	39,298	11,352
Balance forward from the previous year	1,712,742	1,701,390
	<u>1,752,040</u>	<u>1,712,742</u>
Deduct — Net amount realized on sale of securities	45,003	
Total Net Expenditure to the end of the year	<u>\$1,707,037</u>	<u>\$1,712,742</u>

GULCH MINES LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS FOR THE YEAR ENDED 31st DECEMBER, 1967 (1966 figures shown for comparison)

	<u>1967</u>	<u>1966</u>
SOURCE OF FUNDS:		
Net amount realized on sale of securities	\$ 45,003	
USE OF FUNDS:		
Total expenditure for the year — Exhibit B	39,298	\$ 11,352
Increase (Decrease) in Working Capital	5,705	(11,352)
Working Capital at the beginning of the year	31,740	43,092
Working Capital at the end of the year	<u>\$ 37,445</u>	<u>\$ 31,740</u>

GULCH MINES LIMITED

Consulting Geologist's Report

The President and Directors,
Gulch Mines Limited,
Suite 710 — 60 Yonge Street,
Toronto 1, Ontario.

Gentlemen:—

Extensive exploration on the Black Bay uranium property of Gulch Mines Limited has been carried out jointly by Gunnex Limited and Gulch Mines in an effort to find more important bodies of ore on the footwall side of the Black Bay fault, which extends through the property for a length of some six miles. During the period April to December 31st, 1967, nineteen holes totalling some 8,567 feet in length were drilled, of which four holes totalling 448 feet in length were lost. During the summer, the land portion of the property was carefully prospected by a radiometric survey and by geological mapping.

Since the end of the year, the first phase of the planned programme of exploration has been completed by deepening one hole reported above and by drilling one additional hole, both amounting to 911 feet in length, making a total of twenty holes and 9,478 feet of drilling in all. On the whole, this programme of exploration has yielded negative results, except in the vicinity of the old underground workings where encouraging assays have been obtained in one hole.

Overall results are presently being evaluated, but the geological factors that control the occurrence of the ore are not yet clear, and hence additional drilling in the vicinity of the underground workings may be warranted in an effort to clarify the picture.

Respectfully submitted,

H. S. WILSON, P.Eng.

Oakville, Ontario,
March 1st, 1968.

